

Lessons Learned – April-June 2003

Independent Review Lessons Learned:

OSD has asked that the services collect Lessons Learned in seven categories:

- Functionality Assessment
- Performance Work Statement (PWS) Development Phase
- Management Plan Development Phase
- Solicitation and Source Selection Phase
- Cost Comparison and Administrative Appeal Phase
- Implementation and Transition Phase
- Other

Performance Work Statement (PWS) Development Phase

No input

Management Plan Development Phase

Union Official Time in the MEO

To determine if the cost of union official's time is included in the in-house cost estimate (IHCE) refer to the bargaining agreement for the union official's position in question. The agreement may or may not specifically state if the position is dedicated to the commercial activity being competed. While making this determination, remember A-76 cost comparisons focus on "spaces" and not "faces".

If the bargaining agreement specifies that a union official is exclusively representing the directly affected employees in the activity being competed, then the cost of this union official position is included in the IHCE.

If the bargaining agreement specifies that a union official is representing both directly affected employees and employees who are not directly affected, then the cost of the union official position is prorated based on the percentage of FTEs in the MEO.

If the bargaining agreement is silent regarding specific employees that a union official represents, the cost of the time the union official position may dedicate to the MEO cannot be determined and therefore is not included in the IHCE.

Cost Comparison and Administrative Appeal Phase

State Taxes

State Taxes are not included in the cost comparison process for commercial activities competitions. Federal Taxes are addressed in both the Revised Supplemental Handbook (1996) and the A-76 Circular released 29 May 2003, because there is a direct connection between the federal business taxes that a company would pay and, as a result, charge the

Navy as a part of their cost of doing business and the tax revenue that the federal government would receive (RSH - Part II pg. 27, G.1 and new Circular attachment C, C.6 pg C-24-25). This direct connection does not exist for state taxes; the revenue does not go to the federal government. Therefore, any state and local taxes are borne by the private sector as a cost of doing business. These taxes are not deducted from the offer or offset in any way on the CCF.

Casualty Insurance

If the PWS requires the Service Provider to inventory all Government Furnished Materials (GFM) annually and to pay for any missing items, the cost of casualty insurance should be entered into the win.COMPARE2 model for the IHCE. The solicitation will contain FAR 52.245-2, paragraph "g" that stipulates the contractor assumes the risk of, and shall be responsible for any loss or destruction of, or damage to, government property.

According to the DoD A-76 Costing Manual (March 14, 2001 C3.7.4., pg 62): "Capital Asset and Minor Item Insurance for GFP: The IHCE must include the cost of casualty insurance when the Government levies the requirement on the contract/ISSA offeror. If the solicitation requires the contract/ISSA offeror to provide protection on government furnished property (GFP) assets, then the in-house offeror must include casualty insurance on those same assets at the rate of .005. If the MEO uses assets that are not provided as GFP, then it must include the cost of insurance on those assets because it is a standard business expense that the contract offeror cannot avoid."

To provide for these costs in win.Compare2, use the Line 3a capability in the software to enter the value of GFP to determine the calculated value of insurance: Select "Yes" for GFP and "Yes" for insurance, so the program properly only captures the cost of insurance for the IHCE.

The statement in the PWS actually duplicates the requirements of FAR 52.245-2(g) except for the additional requirement to conduct an annual inventory. So the only additional cost the PWS paragraph would drive is the Service Provider's labor to conduct the annual inventory.

Update Assigned Civilians after Solicitation Closing Date

If the number of assigned civilians changes after the solicitation closing date, the IHCE should be updated to reflect the actual number of civilians that will be assigned to the existing organization as of the tentative cost comparison decision date. If the number of assigned civilians is not adjusted for this change, the severance pay calculation on CCF Line 10 will be inaccurate. This approach more accurately calculates the amount of severance pay to be added to the contractor's price in order to determine a more accurate total cost of contract performance on the CCF.

Implementation and Transition Phase

Phase-in Period Costs

Phase-in costs are costs associated with a designated period of time in which the selected service provider begins to replace the current service provider and execute performance. Phase-in requirements are included in the bid schedule of some solicitations. This period is sometimes referred to as the transition period.

If a solicitation includes a separate contract line item for a phase-in period, the first performance period of the cost comparison form is designated as the phase-in period. All offers are required to separately cost a phase-in period and respond to instructions stated in the solicitation, such as timelines and performance requirements.

The same is true for a solicitation that requires (1) a separate phase-in period and (2) inflation of labor costs for positions subject to an Economic Price Adjustment under either the Service Contract Act or Davis Bacon Act. The first performance period is again designated as the separate phase-in period (regardless of the number of months included in the phase-in period) but in this case there are differences in how inflation and severance are calculated. Labor costs (for MEO positions that are subject to an Economic Price Adjustment) are inflated but limited to this phase-in period (i.e., first performance period). Severance pay is then based upon the second performance period, which is the first period of full performance. This approach provides for a more comparable application of inflation based on the same timeframe. This is consistent with Paragraph 22 on Phase-in Period Costs in OMB Update 21, 28 February 2002. Therefore, the in-house cost estimate (IHCE) is not understated and win.COMPARE2 correctly computes inflation.

The A-76 Circular released 29 May 2003 requires solicitations issued for a standard competition include a separate CLIN for the phase-in period, which is always the first period of performance (attachment B, 3.a.13, pg. B-10).

Post MEO Review Guide

The new Post MEO Review Guide dated March 2003 is available for use at <http://strategicsourcing.navy.mil/StrategicSourcing.cfm?doc=90>.